

5/001/0063

**BLM Cedar City Field Office
Site Inspection Report**

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MAR 17 2010

Div. of Oil, Gas & Mining

October 23, 2009

File: UTU-80852; Blawn Mountain Kaolin Mine Project
Sandy Nell / Lone Star Mining

Inspector: Ed Ginouves, CCFO Mining Engineer

On October 22, 2009, I made an inspection of the Blawn Mountain Kaolin Mine project area, located at the summit of Blawn Mtn. The purpose of the inspection was to document site conditions and monitor plan compliance. The previous site inspection was made on May 26, 2009, at which time the site was active.

The mine area is a re-authorization as a small surface mine of a bulk-sampling area at the same site (UTU-80525). The plan of operations was approved via letter dated October 6, 2003, which also closed out UTU-80525 as it was entirely superseded by the plan activity. The operator amended the plan in 12/2003 to add a temporary stockpiling area at the intersection of the Jockey Road and the Seeps Road. The original project bond of \$4,000, held by BLM, was released and replaced in Jan. 2005 by a \$14,000 bond held by DOGM. Early in 2007, the bond amount was increased to \$18,600 for the five acre mine site (to conform the bond amount to the latest DOGM reclamation fee schedule); an additional \$3,300 is held by the BLM to cover reclamation of the transfer area on the Jockey Road, which is not subject to DOGM bonding rules.

The weather was partly cloudy and cool. Site conditions were dry.

Inspection Findings:

The Jockey Road haulage route, as a whole, was in good condition. The initial several miles at the east end of the Jockey Road had been resurfaced with road base and were in excellent condition. The haulage contractor had left a pair of loader tires next to each cattleguard so the road section between each set of cattleguards could be dragged without crossing a cattleguard and filling it with dust. The Seeps Road haulage route was also in good condition.

The Jockey Road/Seeps Road stockpiling area was full to capacity. The operator had pushed rock material into a berm around the perimeter, burying the prior berm of salvaged topsoil (a violation). The gross disturbed footprint had been marginally increased to 3.0 acres.

Mining and haulage operations were inactive, as agreed upon to minimize vehicle travel risks with hunters during the open rifle hunt for deer. There was a dozer, trackhoe, articulated haul truck and drill on site. The only activity at the site was some exploratory drilling. The exploratory drilling was being carried out with the drill/blast contractor's (Three Rivers) drill rig (a Tamrock Pantera Rock Pilot 1100). The was being used to drill some shallow (60') 4" dia. exploratory holes in the pit bottom, at the southwest corner of the site and in the saddle of the ridge ¼ mile northeast of the mine site.

By chance, Mr. Nell was on site for the day. Mr. Nell related a couple of problems had arisen since my last visit that had necessitated re-thinking/re-evaluating the mine plan. The first is the discovery that a high alunite zone prevents any further pit expansion on the north and west sides. The second is that Ash Grove Cement had become very concerned recently with the mercury content of their cement feed materials due to new emissions limits to come on line in three years. Apparently, some of the clay in the high pyrite zone in the current pit floor had high mercury content. Because this had brought into question the long-term viability of the deposit, Mr. Nell had panicked into drilling and then taking a bulk sample from the summit of Blawn Mtn., an ~1/2 acre unpermitted disturbance outside the approved mine plan area. As it turned out, the material was unsuitable, the high alumina content on the south end of the sample site quickly grading into a low alumina/high silica zone on the north end. The cut was 5' or so in depth. I

directed Mr. Nell that he would need to reclaim this unauthorized excavation immediately as it was in non-compliance. The gross disturbed footprint of the minesite (not counting the unpermitted bulk sampling area) is 5.5 acres and will require some reduction in size to remain permitted as a small mine operation under DOGM rules. I also reminded Mr. Nell that he should not take liberties with drilling even shallow, small dia. exploration holes unpermitted outside of the approved mine site footprint.

The exploratory drilling suggests that the remaining clay resource is in a northeast-southwest trending zone through the site. Mr. Nell said his plan was to reclaim ~ 2 acres within the east, southeast and western perimeter of the current site to free up an additional acre of needed expansion both on the north-northeast and on the southwest of the existing site.

There had been a recent blast in the pit bottom which is a dark-grey, pyritized zone. Mr. Nell said that holes drilled through this showed it is limited in depth and deeper down the cutting were lighter colored. The alumina grade of the material is still in the mid 30%.

Mr. Nell said the gross production to date from the site is ~400,000 tons and this year's campaign will be 60,000 tons. Current delivered price of the clay to the Leamington cement plant is ~\$30/ton. Once the deer hunt season expires, the mining contractor will resume haulage operations to finish out this season's campaign and idle the mining operation for the winter.

Mr. Nell is also trying to partner with an unnamed alunite development company to provide alunite from his mining claims..



UTU-80852: Blawn Mtn. Kaolin
October 22, 2009

Panoramic view of mine site looking north from the southern edge of the disturbance. The mound in the center is an area of dolomite. The pinkish band above the trackhoe is a zone of alunitic clay that is unminable due to excessive alkali metal content. The same zone lies ten feet behind the dark grey face to the left of the trackhoe. This face would be benched to create a reclaimable slope. The eastern edge of the site, in the right hand side of this view, would be reclaimed.

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Panoramic view of mine site looking south from the northern edge of the disturbance. Note dark grey high pyrite/ iron oxide area in pit bottom.

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Panoramic view of mine site looking easterly from the southwest edge of the disturbance.

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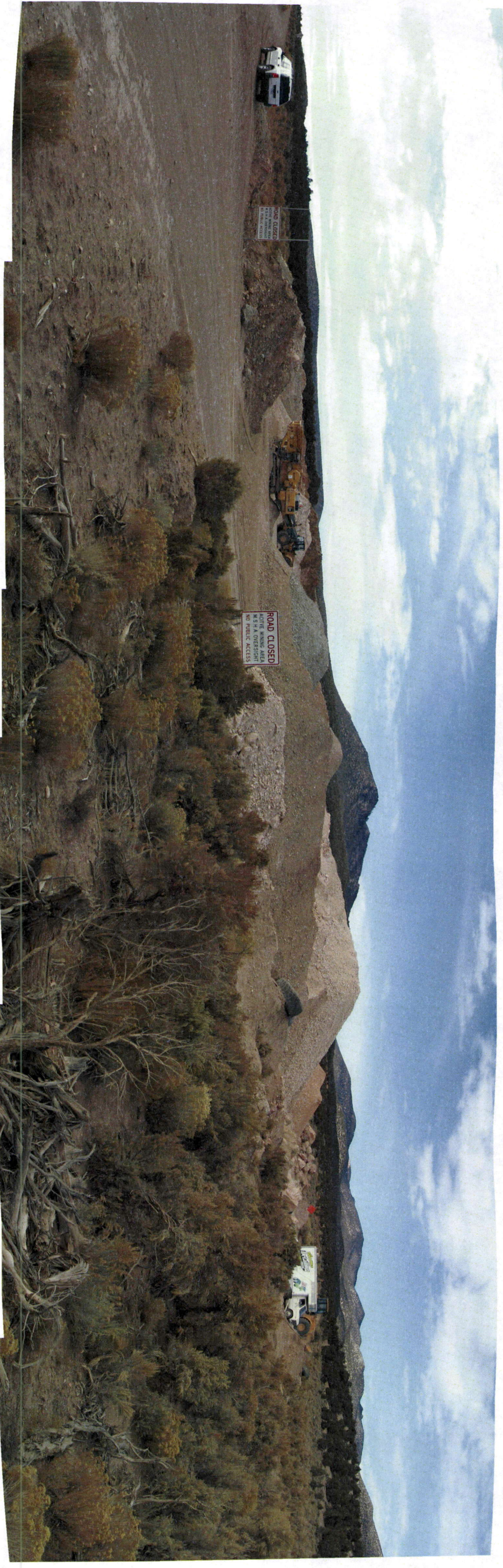
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View of a ~1/2 acre unauthorized bulk sampling effort 1/4 mile to the northwest of the mine site on the summit of Blawn Mtn.

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Panoramic view of the 3 acre Jockey Road crushing/stockpiling area, located at the junction of the Seeps and Jockey Roads. View looking northwesterly.

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UTU-80852: Blawn Mtn. Kaolin
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Panoramic view of the Jockey Road crushing/stockpiling area, located at the junction of the Seeps and Jockey Roads. View looking westerly from adjacent hillside.



UTU-80852: Blawn Mtn. Kaolin
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Panoramic view of operator's stockpiling/transfer area located on private land south of the Hog Farm Road on the west side of the Escalante Valley.

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